Agriculture, Food and Rural Development

BUSINESS PLAN 2005-08

ACCOUNTABILITY STATEMENT

The business plan for the three years commencing April 1, 2005 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of March 21, 2005 with material economic or fiscal implications of which I am aware have been considered in preparing the business plan.

The Ministry's priorities outlined in the business plan were developed in the context of the government's business and fiscal plans. I am committed to achieving the planned results laid out in this business plan.

[Original Signed]

Doug Horner, *Minister of Agriculture, Food and Rural Development*
March 23, 2005

THE MINISTRY

The Ministry is comprised of the Department of Agriculture, Food and Rural Development and Agriculture Financial Services Corporation (AFSC). The Ministry is also responsible for the Office of the Farmers' Advocate; Irrigation Council; Agricultural Products Marketing Council; and Alberta Grain Commission.

105-04949/

VISION

Prosperous, sustainable Alberta farms, processors, agricultural businesses and rural communities

MISSION

To enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

CORE BUSINESSES

Core Business 1: Facilitate Sustainable Industry Growth
- Goal 1 - Sustainable growth of the agriculture and food industry
- Goal 2 - Continued excellence in food safety

Core Business 2: Enhance Rural Sustainability
- Goal 3 - Improved environmental stewardship
- Goal 4 - Strengthened rural communities

Core Business 3: Strengthen Business Risk Management
- Goal 5 - Effective risk management decisions by agricultural business managers
- Goal 6 - Effective support programs for industry stability

LINK TO THE GOVERNMENT OF ALBERTA STRATEGIC BUSINESS PLAN

The Ministry contributes to three of the government's four key opportunities: Unleashing Innovation, Competing in a Global Marketplace and Making Alberta the Best Place to Live, Work and Visit.

The Ministry contributes directly and indirectly to many of the Government's medium-term strategies, including: the Rural Development Strategy, the Agriculture Growth Strategy, the Life Sciences Strategy, the Alberta in a Strong Canada Initiative, the Climate Change Strategy, the Land Use Framework and Water for Life: Alberta's Strategy for Sustainability.

The work of the Ministry also has a direct and indirect impact on 8 of 14 Government of Alberta business plan goals. They are goals 1, 3, 4, 8, 9, 10, 11 and 12. The Ministry's major contributions are to Goal 1: Alberta will have a diversified and prosperous economy and Goal 8: Alberta will have a financially stable, open and accountable government.

SIGNIFICANT OPPORTUNITIES AND CHALLENGES

The Ministry will continue to partner with industry and other governments as we support the industry in its recovery from the longer-term impacts of Bovine Spongiform Encephalopathy (BSE) and successive years of drought. The erosion of equity resulting from these events, particularly in the feedlot sector, increases the need for innovative long-term solutions to mitigate these types of risk. These events, combined with the opportunity to grow the value-added industry, will continue to result in revisions to Ministry programming in 2005 and in future years, ensuring the industry is poised to grow and diversify beyond its pre-BSE strength.

The Agricultural Policy Framework continues to impact the strategic direction in this plan. The objectives of the five chapters of the Agricultural Policy Framework are linked to the goals in this plan. Economic downturns will make it more difficult for the industry to allocate resources for the implementation of new environmental sustainability processes.

Opportunities to appropriately align Alberta's policies and processes with national and international developments and opportunities, such as food policies, environmental goods and services, and biowaste management will need to be explored.

Strategies for rural development, growth, and research and development are at various stages of development and implementation. These initiatives will continue to impact the future direction of the Ministry and its programming in 2005-06 and beyond.

Current conditions in the agriculture and food industry clearly demonstrate the susceptibility to inherent risks such as poor weather, declines in global commodity prices and exchange rates, and changes in the overall economy. While the Ministry's strategic direction is outlined, it is acknowledged that from year to year, changes must be made to accommodate specific developments. Monitoring of world trade issues, including food policy challenges and the associated impacts on legislative and regulatory frameworks will require ongoing management.

The Institute of Food and Agricultural Sciences, Alberta is the result of a Memorandum of Understanding among the Alberta Research Council, the University of Alberta and the Ministry. The Institute of Food and Agricultural Sciences, Alberta will enable internationally recognized, multidisciplinary research programs, which have critical mass, to be built. The Memorandum of Understanding will also help strengthen Alberta's applied research and technology commercialization capacity.

STRATEGIC PRIORITIES 2005-08

Through the Ministry's review of external and internal challenges, the strategic priorities described below have been identified. These are in addition to the important ongoing core activities of the Ministry.

1. The Rural Development Strategy Linkage: Goal 4	The Rural Development Strategy has been approved for implementation. Future direction from government and ongoing consultation with stakeholders will determine how the Ministry will continue to work in partnership with other ministries, rural communities and other jurisdictions and governments to implement this strategy.
2. The Agriculture Growth Strategy Linkage: Goals 1 and 4	The industry opportunity to sustainably grow primary agricultural production to $10 billion and value-added industry to $20 billion by 2010 will be achieved through the implementation of the growth strategy by industry. The Ministry will need to work in partnership with industry to clearly articulate outcomes in both qualitative and quantitative terms, including the development of appropriate levels of slaughter capacity, to facilitate achievement. This target will require ongoing monitoring and will impact Ministry programming in 2005 and beyond.
3. The Research and Innovation Strategic Framework Linkage: Goals 1, 2, 3 and 4	Longer-term achievement of the Ministry's vision and mission will be dependent on industry's ability to support strategically targeted research in the agriculture and food industry. The Ministry will focus its efforts on the implementation of the Research Strategy in partnership with industry and Alberta Innovation and Science.
4. Animal Health and Food Safety Surveillance Linkage: Goals 1 and 2	The Ministry and the province's cattle industry are committed to reaching and surpassing BSE surveillance targets to help maintain Canada's status as a minimal risk country. The Ministry will continue to work with Alberta's value-chains to ensure appropriate levels of testing are conducted.

5. **Six-point Recovery Strategy**

   Linkage:
   Goals 1, 2, and 6

The Ministry's Six-point Recovery Strategy will require continued commitment from the Ministry in assisting the beef industry in its recovery from the impacts of BSE. The six elements of the strategy include increasing slaughter capacity, new product development, set-aside programs, surveillance, the Canadian Agricultural Income Stabilization Program and research initiatives.

6. **Water for Life: Alberta's Strategy for Sustainability**

   Linkage:
   Goals 1, 3, 4, 5, and 6

Water for Life: Alberta's Strategy for Sustainability is a comprehensive, 10-year strategy for water and watershed management in the province. Implementing Water for Life: Alberta's Strategy for Sustainability is a key strategic priority of the 2005-08 business plan. Agriculture, Food and Rural Development, along with a number of other ministries, is working collaboratively to ensure the outcomes of the strategy – safe, secure drinking water; healthy aquatic ecosystems; and reliable, quality water supplies for a sustainable economy – are achieved.

7. **Corporate Initiatives**

   Linkage:
   All Goals

The strategic direction of the Ministry is supported by a number of service functions. These areas (including Finance, Human Resources, Information Technology, Knowledge Management, Project Support, Communications, Agriculture Information and Business Planning) cross the six goals, and are integral to the efficient and effective delivery of Ministry programming. Key client delivery initiatives, such as the Alberta Ag-Info Call Centre and Ropin' the Web, help to ensure our clients have access to professionally prepared and presented information.

CORE BUSINESSES, GOALS, STRATEGIES & PERFORMANCE MEASURES

Core Business One: Facilitate Sustainable Industry Growth

GOAL ONE

Sustainable growth of the agriculture and food industry

What it means

This goal recognizes that industry growth is the outcome of long-term profitability arising from a competitive agriculture and food industry focused on market opportunities. The Ministry contributes to this goal by encouraging new and diversified product development and investment (primary and value-added food and non-food products) and facilitating long-term sustainable growth in established sectors.

It is the role of the Ministry to work to enhance market access for agriculture and food industry products and to improve agriculture and food industry business services. These services include access to capital, business and entrepreneurial development, and enhanced infrastructure.

To achieve this goal, the Ministry will incorporate the objectives of Alberta's Agriculture Growth Strategy, the Research and Innovation Strategic Framework and the Rural Development Strategy (Economic Development and Innovation Initiative) into the appropriate division operating plans.

Strategies

1.1 Develop new products, processes and services that respond to new value-added market opportunities and enhance diversity.

1.2 Facilitate capital investment in the agriculture and food industry through opportunity identification, evaluation and lending products.

1.3 Advocate policies/programs and develop networks that facilitate market access, human resource development and industry competitiveness.

1.4 Develop and administer essential policy, legislation and regulations.

1.5 Deliver targeted research, technology, information and services to enhance competitiveness and market access.

1.6 Work with partners to ensure that appropriate physical infrastructure is in place.

Performance Measures	Last Actual (2003-04)	Target 2005-06	Target 2006-07	Target 2007-08
1.a Number of value-added products developed and successfully introduced to market with assistance from the Ministry	148	120	120	140
1.b Research and Development investment by collaborators leveraged through Ministry resources	$6.3 million	$7.0 million	$8.5 million	$10 million
1.c Investment supported by AFSC lending services *	$218.3 million	$213 million	$221 million	$226 million

* Total investment in rural business and total amount of farm loans

GOAL TWO

Continued excellence in food safety

What it means

This goal recognizes that a reputation for excellence in food safety is essential to maintain consumer confidence and expand markets, both domestic and international.

The Ministry contributes to this goal by promoting implementation of food safety systems in the production of food. This is achieved through essential food safety legislation, regulations and policy, and through surveillance systems that support consumer confidence and market access. These initiatives support the development of a national approach to food safety as identified in the Agricultural Policy Framework.

Strategies

2.1 Facilitate adoption of internationally accepted food safety systems and standards in production and processing of Alberta food.

2.2 Develop, implement and maintain a surveillance system that validates and identifies opportunities for enhancing the safety of Alberta's agriculture and food products.

2.3 Develop and administer essential policy, legislation and regulation, and facilitate emergency response.

2.4 Develop and transfer knowledge and technology in support of safe food production and processing.

2.5 Provide information, training and other programs that enhance food safety awareness and supports access to domestic and international markets.

2.6 Participate in national, provincial and industry food safety and traceability initiatives.

Performance Measures	Last Actual (2003-04)	Target 2005-06	Target 2006-07	Target 2007-08
2.a Number of surveillance programs that identify hazards in food production	17	10	10	10
2.b Percent of Alberta production produced under on-farm food safety programs *				
• chicken farms	0%	98%	98%	98%
• hog farms	0%	98%	98%	98%
• beef feedlots	0%	20%	40%	50%
2.c Percent of Alberta licensed food production facilities that have added a preventative system to their existing food safety system				
• meat	0%	20%	20%	20%
• dairy	0%	70%	70%	70%

* On-Farm Food Safety programs are a new mechanism for ensuring an optimum level of safety of products produced on farms. Provincial commodity groups are providing training and resource material to producers. Alberta producers are implementing nationally, technically reviewed, On-Farm Food Safety programs. This measure reflects the level of voluntary implementation in Alberta.

Core Business Two: Enhance Rural Sustainability

GOAL THREE

Improved environmental stewardship

What it means

This goal recognizes it is the role of the Ministry to assist the agriculture and food industry to maintain or improve Alberta's air, water and soil for the well being of current and future generations. The Ministry contributes to this goal through essential policy, legislation, information and services related to soil conservation, water quality, air quality, climate change and biodiversity.

To achieve this goal the Ministry will incorporate the objectives of the Environment Chapter of the Agricultural Policy Framework, Water for Life: Alberta's Strategy for Sustainability, the Agriculture Growth Strategy, the Rural Development Strategy and the agricultural components of the provincial Climate Change Strategy into appropriate division operating plans.

Strategies

3.1 Support and conduct applied/adaptive research and evaluations to develop economically sound, environmentally friendly beneficial management practices for relevant areas of crop and livestock production and agricultural processing.

3.2 Transfer integrated technology and knowledge to assist the industry in becoming more environmentally sustainable, including provision of support for adoption of environmental farm plans.

3.3 In consultation with the industry and other involved ministries, provide guidelines, standards, regulations and legislation for environmental performance requirements to sustain the quality of Alberta's soil, water and air.

3.4 Monitor the effect of the agricultural production and processing industry on soil and water quality.

Performance Measures	Last Actual (2003-04)	Target 2005-06	Target 2006-07	Target 2007-08
3.a Percentage of producer survey respondents who have adopted improved environmentally sustainable agriculture practices (formal evaluation every three years; next survey to be completed in 2006-07)	53%	53%*	53%*	58%
3.b Number of producers provided with specific training and technical support to enable development of environmental farm plans	1,000	1,500	2,000	2,500

* These targets are lower than previously projected and are a reflection of current economic conditions in the agricultural industry, as indicated in the 2003-04 survey results.

GOAL FOUR

Strengthened rural communities

What it means

This goal recognizes that vibrant and sustainable rural communities are one component of a prosperous province. The Ministry contributes to this goal by working to strengthen rural communities through facilitating leadership development, business development and infrastructure development.

The Ministry has a lead role in coordinating rural development initiatives, under the Economic Development and Innovation Initiative. Implementing the Rural Development Strategy will facilitate cooperative efforts to ensure a balanced emphasis on social, economic and environmental priorities by all stakeholders in support of community prosperity.

Strategies*

4.1 Provide leadership development for youth and adults actively engaged in agriculture and community organizations.

4.2 Facilitate the development of sustainable communities, organizations and agricultural and rural businesses that are networked, flexible, adaptable and manage change proactively and positively.

4.3 Coordinate a cross-ministry approach to rural development.

* Many of the strategies included under other goals also contribute to "Strengthened Rural Communities."

Performance Measures	Last Actual (2003-04)	Target 2005-06	Target 2006-07	Target 2007-08
4.a Number of rural* businesses assisted by AFSC lending services	293	320	330	340
4.b Total investment leveraged in rural* businesses facilitated through AFSC lending services**	$77.5 mil	$80.0 mil***	$82.0 mil***	$84.0 mil***
4.c Percentage of Ministry supported, agricultural-related community activities that focus on leadership development	27%	27%	29%	30%
4.d Percentage of rural youth and adults participating in Ministry supported programs that report effective learning from those programs	91.5%	90%	90%	90%

* Rural means communities outside Edmonton, Calgary.

** The figures presented in the targets represent all investment in rural businesses, including AFSC direct assistance, alliance partnership lending (i.e. Farm Credit Corporation), borrower investment and other sources.

*** These targets are lower than previously projected and are a reflection of current economic conditions in the agricultural industry.

Core Business Three: Strengthen Business Risk Management

GOAL FIVE

Effective risk management decisions by agricultural business managers

What it means

This goal recognizes the business risk associated with production affected by weather extremes, disease epidemics and unforeseen global market influences. Cooperative efforts by service providers will target business management training and information dissemination, allowing managers to adopt the most economical and effective management practices to sustain their business. "Agri-business manager" is an inclusive term indicating the range of industry people, from primary to value-added, using risk management tools in decision-making. This goal is manager-driven. The manager makes the decisions, not government on behalf of the manager.

Strategies

5.1 Determine risk management information needs of business managers in the primary and value-added sectors.

5.2 Collect, develop and distribute data and information to support business risk management decisions in the primary and value-added sectors.

5.3 Facilitate development and use of analytical tools to proactively identify, measure and manage business risk in the primary and value-added sectors.

5.4 In collaboration with the private sector, provide information and training on business risk management tools and strategies in the primary and value-added sectors.

Performance Measure	Last Actual (2002)	Target 2005-06	Target 2006-07	Target 2007-08
5.a Percentage of managers surveyed, indicating the use of risk management tools for improved decision-making	18%	25%	35%	50%

GOAL SIX 6

Effective support programs for industry stability

What it means This goal recognizes the need for proactive financial risk management programming and disaster support in the absence of effective private sector tools when natural and market events occur that are beyond agri-business managers' control. Industry stability is desirable from a Ministry perspective as it helps agri-businesses recover from disaster events and facilitates overall industry growth. The Ministry contributes to this goal by effectively delivering appropriate programs such as the Canadian Agricultural Income Stabilization Program, all risk production insurance and disaster recovery initiatives.

Strategies

6.1 Ensure production risk and income stabilization programs are designed and delivered effectively and efficiently through the Agricultural Policy Framework Agreement.

6.2 Develop and deliver specific programs for industry to adapt to changing conditions.

6.3 Develop programs, where appropriate, that respond to significant events that impact business sustainability.

Performance Measures	Last Actual (2003-04)	Target 2005-06	Target 2006-07	Target 2007-08
6.a Percent of eligible seeded acres for major crop categories insured under Production Insurance				
• Annual Crops	65%	60%	60%	60%
• Perennial Crops	3%	40%	45%	50%
6.b Percent of Alberta farm cash receipts represented by Alberta participants in the Canadian Agricultural Income Stabilization Program	87%	87%	88%	90%

EXPENSE BY CORE BUSINESS

(thousands of dollars)

	Comparable 2003-04 Actual	Comparable 2004-05 Budget	Comparable 2004-05 Forecast	2005-06 Estimates	2006-07 Target	2007-08 Target
Facilitate Sustainable Industry Growth	239,320	212,021	298,520	223,416	227,713	228,544
Enhance Rural Sustainability	39,305	41,994	44,288	51,895	51,882	51,882
Strengthen Business Risk Management	1,268,538	707,201	1,102,808	929,011	791,228	790,734
MINISTRY EXPENSE	1,547,163	961,216	1,445,616	1,204,322	1,070,823	1,071,160

MINISTRY STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable 2003-04 Actual	Comparable 2004-05 Budget	Comparable 2004-05 Forecast	2005-06 Estimates	2006-07 Target	2007-08 Target
REVENUE						
Internal Government Transfers	16,620	16,620	16,620	22,220	22,220	22,220
Transfers from Government of Canada	560,814	286,298	494,261	354,630	312,338	311,543
Investment Income	86,394	84,520	82,323	86,434	88,277	89,676
Premiums, Fees and Licences	147,132	154,539	135,500	158,521	160,981	161,061
Other Revenue	16,628	7,312	15,002	10,432	10,554	9,742
MINISTRY REVENUE	827,588	549,289	743,706	632,237	594,370	594,242
EXPENSE						
Program						
Farm Income Support	919,319	253,817	815,118	501,124	362,888	362,918
Lending	33,320	33,540	32,251	33,179	33,124	33,337
Insurance	343,096	447,130	277,392	418,004	418,401	417,877
Planning and Competitiveness	40,709	39,230	42,037	46,241	46,426	46,426
Industry Development	85,762	49,404	139,168	48,928	48,978	48,128
Sustainable Agriculture	36,037	38,894	49,911	55,587	55,507	55,507
Infrastructure Assistance	16,732	24,000	23,995	27,000	29,000	29,000
Ministry Support Services	18,371	18,430	18,415	18,553	18,473	18,473
Valuation Adjustments and Other Provisions	6,605	4,144	187	2,427	2,171	2,032
Program Expense	1,499,951	908,589	1,398,474	1,151,043	1,014,968	1,013,698
Debt Servicing Costs						
Agriculture Financial Services Corporation	47,212	52,627	47,142	53,279	55,855	57,462
MINISTRY EXPENSE	1,547,163	961,216	1,445,616	1,204,322	1,070,823	1,071,160
Gain (Loss) on Disposal of Capital Assets	(12)	-	-	-	-	-
NET OPERATING RESULT	(719,587)	(411,927)	(701,910)	(572,085)	(476,453)	(476,918)

CONSOLIDATED NET OPERATING RESULT

(thousands of dollars)

	Comparable 2003-04 Actual	Comparable 2004-05 Budget	Comparable 2004-05 Forecast	2005-06 Estimates	2006-07 Target	2007-08 Target
Ministry Revenue	827,588	549,289	743,706	632,237	594,370	594,242
Inter-ministry consolidation adjustments	(17,211)	(16,620)	(16,620)	(22,220)	(22,220)	(22,220)
Consolidated Revenue	810,377	532,669	727,086	610,017	572,150	572,022
Ministry Program Expense	1,499,951	908,589	1,398,474	1,151,043	1,014,968	1,013,698
Inter-ministry consolidation adjustments	(591)	-	-	-	-	-
Consolidated Program Expense	**1,499,360**	**908,589**	**1,398,474**	**1,151,043**	**1,014,968**	**1,013,698**
Ministry Debt Servicing Costs	47,212	52,627	47,142	53,279	55,855	57,462
Consolidated Expense	1,546,572	961,216	1,445,616	1,204,322	1,070,823	1,071,160
Gain (Loss) on Disposal of Capital Assets	(12)	-	-	-	-	-
CONSOLIDATED NET OPERATING RESULT	(736,207)	(428,547)	(718,530)	(594,305)	(498,673)	(499,138)